

Message Text

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67

ACTION EA-09

INFO OCT-01 ISO-00 FPC-01 EB-07 INT-05 FEA-01 COME-00

DOT-00 CIAE-00 DODE-00 FMC-01 INR-07 NSAE-00 CG-00

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FM AMEMBASSY JAKARTA
TO SECSTATE WASHDC 1430
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AMCONSUL MEDAN
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DEPT PLEASE PASS MARAD

EO 11652: N/A

TAGS: ENRG EFIN EWWT

SUBJ: INDONESIAN LNG FOR JAPAN

REF: STATE 276084 NOTAL

1. ON MONDAY NOVEMBER 24, JOHN J MCMULLEN, PRESIDENT, BURMAH OIL TANKERS LTD ROBERT FRITTS OF MCMULLEN ASSOCIATES, AND THEIR LOCAL AGENT RACHMAT OF SUNDA KARYA CORP CALLED ON AMBASSADOR TO REVIEW CURRENT DEVELOPMENTS REGARDING MCMULLEN'S INTEREST IN SUPPLYING NAVY FRIGATES, INTER-ISLAND SHIPPING FLEET, AND LNG TANKERS. THEY WERE FOLLOWED ON TUESDAY, NOVEMBER 25, BY JOHN CHRISTY AND JOHN TURBIDY OF IU INTERNATIONAL AND COL TOPE, FORMER NAVAL ATTACHE, JAKARTA (REFTTEL), TO REVIEW THEIR VERSION OF CURRENT STATUS LNG TANKERS FOR JAPAN. SITUATION IS EXTREMELY COMPLEX IN DETAILS BUT BASIC OUTLINE IS MORE COMPREHENSIBLE.

2. BURMAH TANKERS, A WHOLLY OWNED SUBSIDIARY OF BURMAH OIL COMPANY LTD IS COMMITTED TO PROVIDE UNDER LONG TERM CHARTER TO PERTAMINA 7 OR 8 LNG TANKERS TO DELIVER LNG FROM INDONESIA TO JAPAN. BURMAH
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OIL HAS HAD EXTREMELY SERIOUS FINANCIAL PROBLEMS WHICH ARE IMPINGING

ON BURMAH TANKERS' ABILITY TO FULFILL ITS COMMITMENTS. BURMAH TANKERS HAS CURRENTLY UNDER CONSTRUCTIONS AT GENERAL DYNAMICS' QUINCY YARD 5 TANKERS.

3. MCMULLEN WAS APPROACHED BY BANK OF ENGLAND IN SPRING 1975 TO TAKE OVER BURMAH TANKERS. HIS BASIC INTEREST APPEARS TO US TO BE A DESIRE TO GET BURMAH TANKERS OUT OF PERTAMINA-JAPAN LNG ARRANGEMENT. HE IS ALTERNATIVELY SEEKING A CHANGE IN TERMS AGREED TO FOR DELIVERY OF LNG TO JAPAN FROM CIF TO FOB.

4. MCMULLEN IS CURRENTLY EXPLORING AN ARRANGEMENT WHEREBY IU INTERNATIONAL WOULD TAKE OVER RESPONSIBILITY FOR CONSTRUCTION, OWNERSHIP, FINANCING, MANAGEMENT AND UTILIZATION OF LNG VESSELS. IU INTERNATIONAL WHOLLY OWNS GOTAAS-ALRSN SHIPPING CORPORATION OF DELAWARE WHICH CURRENTLY HAS ON ORDER TWO LNG VESSELS FROM KAWASAKI HEAVY INDUSTRIES OF JAPAN AND ONE FROM HOWALDSWERKE-DUETSCH WERF. BURMAH ALSO HAS THREE EASCO VESSELS UNDER CONSTRUCTION WHICH COULD BE UTILIZED TEMPORARILY FOR THIS PROJECT. (GOTAAS-LARSEN ALSO HAS THREE LNG TANKERS UNDER CONSTRUCTION IN NORWAY TO LIFT LNG FROM ABU DHABI TO JAPAN).

5. ACCORDING BOTH MCMULLEN AND IU REPS, JAPANESE AUTHORITIES, PARTICULARLY EXIMBANK OF JAPAN AND INDUSTRIAL BANK OF JAPAN, ARE CURRENTLY BALKING AT FURTHER FINANCING TO COVER \$485 MILLION COST OVERRUN FOR TWO INDONESIAN LNG PROJECTS. THEY QUESTION OVERRUN FINANCING FOR MOBIL/ARUN LIQUEFICATION PLANT WHICH IS BEING "OVERBUILT" AS FAR AS JAPAN IS CONCERNED TO PROVIDE PRODUCT FOR PACIFIC LIGHTING CONTRACT, AND SECONDLY WANT TO SEE RESOLUTION OF SHIPPING CONTRACT PROBLEM. ACCORDING TO IU OFFICIALS, JAPANESE ARE ALSO UNHAPPY ABOUT DIFFERENCE IN LNG PRICING ARRANGEMENTS FOR PACIFIC LIGHTING AND JAPANESE IMPORTERS MAY SEEK REVISION OF JAPANESE-PERTAMINA AGREEMENT ON PRICING. ALSO INVOLVED IS QUESTION OF US MARAD TITLE ELEVEN FINANCING FOR CHEROKEE VESSELS(BURMAH TANKERS). THERE APPEARS TO BE SOME LIKELIHOOD THAT GENERAL DYNAMICS ITSELF MAY BE INTERESTED IN OWNING AND OPERATING THEM.

6. IU REPS HAD MET EARLIER SAME DAY WITH WIJARSO (DIRECTOR OF MIGAS AND NUMBER 2 TO IBNU IN PERTAMINA) AND TIRTO UTOMO(DEPUTY CHIEF, LEGAL AND FOREIGN MARKETING DIVISION, PERTAMINA) TO REVIEW ENTIRE SITUATION. IU AND MCMULLEN BOTH INDICATED THAT PERTAMINA LIMITED OFFICIAL USE

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OFFICIALS SOMEWHAT DISTURBED THAT THEY HAVE ONLY RECENTLY BEEN BROUGHT INTO PICTURE ON DETAILS OF CURRENT DEVELOPMENTS ON SHIPPING ARRANGEMENTS. TIRTO PURPORTEDLY TOLD IU REPS HE WOULD REVIEW SITUATION WITH IBNU WHO IN TURN WAS TO REPORT TO PRESIDENT SUHARTO IN ORDER THAT PROPER GUIDANCE REGARDING GOI INTEREST COULD BE PROVIDED FOR NEGOTIATIONS.

7. AMBASSADOR EXPRESSED APPRECIATION TO BOTH PARTIES FOR KEEPING

EMBASSY INFORMED AND NOTED THAT BASIC INTERESTS (JAPANESE WANT LNG AND INDONESIA WANTS TO SELL IT) OF INDONESIANS AND JAPANESE WERE SUCH THAT RESOLUTION OF PROBLEM WOULD UNDOUBTEDLY BE WORKED OUT. HE ALSO OBSERVED THAT IT WAS OF SOME SIGNIFICANCE THAT WIJARSO WAS SENIOR PERTAMINA NEGOTIATOR SINCE IN PAST IBNU HIMSELF HAD HANDLED SUCH MATTERS AND THAT THIS WAS CLEAR SIGNAL OF WIJARSO'S NEW STATUS WITHIN PERTAMINA.

8. EMBASSY POUCHING EA/IMS MEMCOM OTHER SUBJECTS RAISED BY MCMULLEN AND COPIES IU INTERNATIONAL OUTLINE PRESENTATION TO PERTAMINA AND MEMO OF UNDERSTANDING IU AND BURMAH OIL.
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